

Public Employees' Retirement Board

A Component Unit of the State of Montana

Report on Investment Activity

INTRODUCTION

The Montana Constitution and Montana statutes govern the investment activity of the retirement funds administered by the Public Employees' Retirement Board (PERB). The "prudent expert principle," contained in the Montana Constitution and Montana statute, requires the fiduciaries of the funds, including the Montana Board of Investments (BOI), to discharge their duties in the same manner that a prudent expert acting in a fiduciary capacity and under the same circumstances exercises in the conduct of an enterprise of a similar character with similar objectives.

The prudent expert principle permits further diversification of the holdings of the fund to minimize the risk of loss and maximize the rate of return. The opportunity to diversify among various asset classes does enable a fund to reduce volatility and increase returns.

The BOI prepares and provides information related to the defined benefit system investments for the PERB. The Montana Public Employee Retirement Administration (MPERA), staff of the PERB, is responsible for the presentation of the report of investment activity.

INVESTMENT GOALS AND OBJECTIVES

The basic goal influencing the investment activity for the PERB is two-fold. First is to realize compound rates of return sufficient to fund promised benefit. The second is to provide benefit services at the lowest possible cost to employers and members.

The basic investment objective of the BOI is the achievement of a total rate of return

greater than the medium performance of its peers over any five-year rolling period, while outperforming the appropriate market indices for each class over the same period.

To calculate the PERB's defined benefit system investment returns, State Street, BOI's custodial bank and an independent third party, use the industry performance presentation standards times weighted total rate of return method.

RISK TOLERANCE

In view of the long time horizon of the pension plans and the adequacy of cash flow to meet retiree payments, all funds have an above-average ability to assume risk. For Montana loans, the maximum loan size is \$5 million.

INVESTMENT MANAGEMENT AND RESULTS

The funds of each defined benefit system are invested by the BOI as part of the unified investment program. The portfolio is broadly diversified between the various asset classes (stocks, bonds, real estate, venture capital, etc.). A complete list of portfolio information is available through the BOI. State Street Bank compiles the rates of return for the investments. The total rates of return for fiscal year 2007 are reported for each defined benefit fund by the BOI. The following tables are a summary of the information received from the BOI.

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS

12-Month Period ending June 30, 2007

Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		5.46%	5.46%	5.46%	5.46%
91 day T-Bill	5.07%				
Equities ¹		22.88%	22.84%	22.87%	22.80%
S&P 500	20.22%				
Fixed Income		6.88%	6.88%	6.88%	6.88%
LB Aggregate Bond	6.12%				
Miscellaneous ²		7.02%			
All Assets		17.96%	17.91%	18.00%	17.86%
Index Composite³		17.37%	17.31%	17.39%	17.26%

	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		5.46%	5.46%	5.46%	5.46%
91 day T-Bill	5.07%				
Equities ¹		22.86%	22.79%	22.79%	22.89%
S&P 500	20.22%				
Fixed Income		6.88%	6.88%	6.88%	6.88%
LB Aggregate Bond	6.12%				
All Assets		17.83%	17.89%	17.90%	18.03%
Index Composite³		17.21%	17.28%	17.28%	17.38%

¹ Includes MDEP, MTIP, MPEP, MTRP and Real Estate Investments

² Montana Mortgages

³ An Index Composite paralleling the Fund's Asset Allocation at Market Value

The rates of return are provided by State Street Bank, the custodial bank for the plans.

TOTAL RATES OF RETURN BY ASSET CLASS

Three-Year Period ending June 30, 2007

Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		4.02%	4.02%	4.02%	4.02%
91 day T-Bill	3.68%				
Equities ¹		14.25%	14.24%	14.25%	14.22%
S&P 500	12.08%				
Fixed Income		5.08%	5.02%	5.02%	5.02%
LB Aggregate Bond	3.98%				
Miscellaneous ²		6.29%			
All Assets		11.64%	11.57%	11.64%	11.56%
Index Composite³		11.28%	11.20%	11.27%	11.19%

	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		4.02%	4.02%	4.02%	4.02%
91 day T-Bill	3.68%				
Equities ¹		14.27%	14.25%	14.25%	14.35%
S&P 500	12.08%				
Fixed Income		5.02%	5.02%	5.02%	5.02%
LB Aggregate Bond	3.98%				
All Assets		11.37%	11.52%	11.52%	11.48%
Index Composite³		11.00%	11.15%	11.15%	11.09%

¹ Includes MDEP, MTIP, MPEP, MTRP and Real Estate Investments² Montana Mortgages³ An Index Composite paralleling the Fund's Asset Allocation at Market Value

The rates of return are provided by State Street Bank, the custodial bank for the plans.

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
Five-Year Period ending June 30, 2007					
Asset Class	<u>INDEX</u>	<u>PERS-DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		2.93%	2.93%	2.93%	2.93%
91 day T-Bill	2.67%				
Equities ¹		12.43%	12.41%	12.41%	12.41%
S&P 500	11.14%				
Fixed Income		6.10%	6.29%	6.29%	6.29%
LB Aggregate Bond	4.48%				
Miscellaneous ²		5.84%			
All Assets		10.97%	11.01%	11.02%	10.98%
Index Composite³		10.40%	10.31%	10.32%	10.28%
	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		2.93%	2.94%	2.94%	2.93%
91 day T-Bill	2.67%				
Equities ¹		12.45%	12.42%	12.43%	12.45%
S&P 500	11.14%				
Fixed Income		6.29%	6.29%	6.29%	6.29%
LB Aggregate Bond	4.48%				
All Assets		10.88%	10.94%	10.94%	11.16%
Index Composite³		10.20%	10.23%	10.23%	10.46%
¹ Includes MDEP, MTIP, MPEP, MTRP and Real Estate Investments					
² Montana Mortgages					
³ An Index Composite paralleling the Fund's Asset Allocation at Market Value					
The rates of return are provided by State Street Bank, the custodial bank for the plans.					

INVESTMENT SECTION

ASSET ALLOCATION

Correct asset allocation is the main determinant of the BOI's success in meeting long-term investment objectives. The asset mix with the highest probability of achieving the

basic investment objective and the actual asset mix for fiscal year 2007 is listed in the following table for both fixed income investments and equity investments.

FY2007 ASSET ALLOCATION

	Investment Objective	Actual Investment		Investment Objective	Actual Investment
PERS-DBRP			GWPORS		
Fixed	25% to 35%	27.73%	Fixed	25% to 35%	28.50%
Equity	60% to 70%	70.11%	Equity	60% to 70%	69.58%
Real Estate	4% to 8%	2.16%	Real Estate	4% to 8%	1.92%
JRS			MPORS		
Fixed	25% to 35%	28.06%	Fixed	25% to 35%	27.50%
Equity	60% to 70%	69.99%	Equity	60% to 70%	70.47%
Real Estate	4% to 8%	1.95%	Real Estate	4% to 8%	2.03%
HPORS			FURS		
Fixed	25% to 35%	27.95%	Fixed	25% to 35%	27.68%
Equity	60% to 70%	70.10%	Equity	60% to 70%	70.38%
Real Estate	4% to 8%	1.95%	Real Estate	4% to 8%	1.94%
SRS			VFCA		
Fixed	25% to 35%	28.07%	Fixed	25% to 35%	31.78%
Equity	60% to 70%	70.00%	Equity	60% to 70%	66.39%
Real Estate	4% to 8%	1.93%	Real Estate	4% to 8%	1.83%

INVESTMENT FEES AND COMMISSIONS

Throughout the fiscal year, the investment expense for certain investments (pools, real estate) are netted against the investment earnings. At year end, investment earnings

are "grossed up" to report the investment expense for the external manager, custodial bank fees and the BOI administrative cost. This process was implemented July 1, 1995, in compliance with GASB Statement 25.

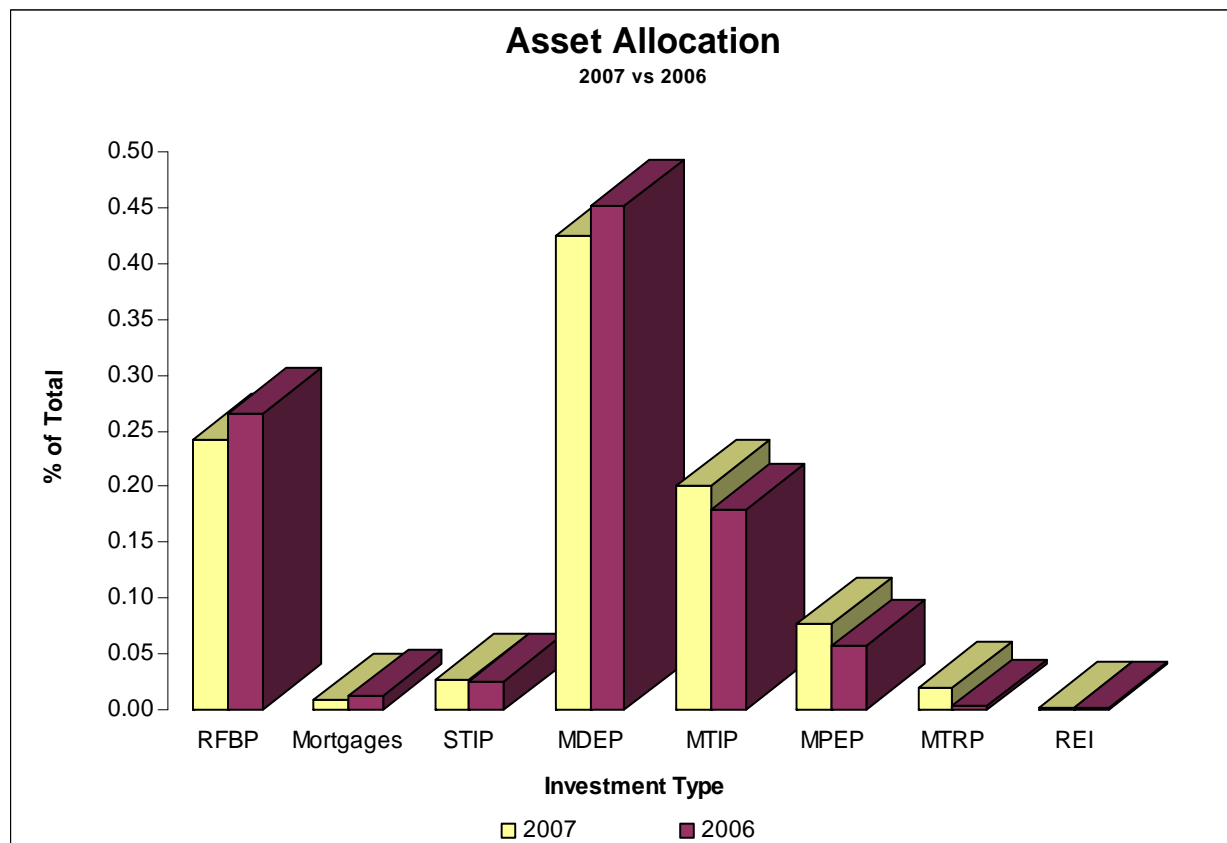
Fiscal 2007 Administrative Investment Expense									
	STIP	MDEP	MPEP	MTIP	MTRP	RFBP	AOF Real Estate	AOF Pension Admin	Total
PERS	19,743	2,342,557	3,679,945	3,246,314	475,166	202,562	60,710	28,950	10,055,947
POLICE	1,266	116,993	182,647	157,816	24,071	10,204			492,997
GAME WARDENS	475	40,727	62,715	55,743	8,280	3,605			171,545
SHERIFFS	1,182	111,975	172,295	150,754	22,564	9,940			468,710
JUDGES	326	35,341	55,243	48,246	7,163	3,181			149,500
HWY PATROL	448	59,174	93,572	81,371	11,958	5,383			251,906
VOL FIREMANS	149	15,222	23,995	21,472	3,001	1,349			65,188
FIREFIGHTERS	1,111	111,418	173,625	150,139	22,255	9,820			468,368
Totals	24,700	2,833,407	4,444,037	3,911,855	574,458	246,044	60,710	28,950	12,124,161

INVESTMENT SECTION

PERS-DBRP

Asset Mix (fair value)
as of June 30, 2007 and 2006
(in thousands)

Investment Type	2007 Fair Value	% of Total	2006 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 987,821	24.14%	\$ 932,048	26.55%	\$ 55,773	5.98%
Montana Mortgages	36,861	0.90%	43,097	1.23%	(6,236)	-14.47%
STIP	109,910	2.69%	91,182	2.60%	18,728	20.54%
Total Fixed Income	\$ 1,134,592	27.73%	\$ 1,066,327	30.38%	\$ 68,265	6.40%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 1,735,718	42.41%	\$ 1,586,747	45.20%	\$148,971	9.39%
Montana International Pool (MTIP)	818,362	20.00%	630,135	17.95%	188,227	29.87%
Montana Private Equity Pool (MPEP)	315,059	7.70%	203,406	5.79%	111,653	54.89%
Total Equities	\$ 2,869,139	70.11%	\$ 2,420,288	68.94%	\$448,851	
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 79,459	1.94%	\$ 15,200	0.43%	\$ 64,259	422.76%
Real Estate Investments (REI)	8,816	0.22%	8,636	0.25%	180	2.08%
Total Real Estate	\$ 88,275	2.16%	\$ 23,836	0.68%	\$ 64,439	270.34%
Total	\$ 4,092,006	100.00%	\$ 3,510,451	100.00%	\$581,555	16.57%

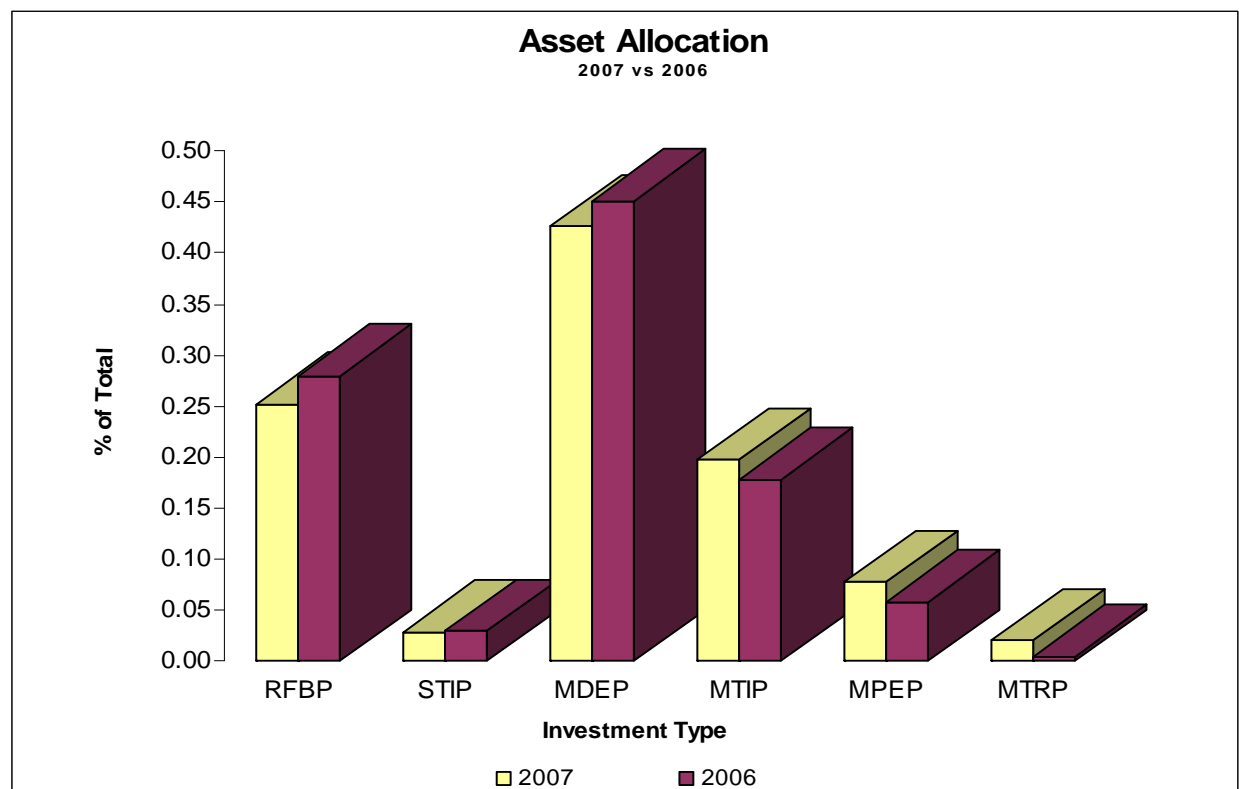


INVESTMENT SECTION

JRS

Asset Mix (fair value) as of June 30, 2007 and 2006 (in thousands)

Investment Type	2007 Fair Value	% of Total	2006 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 15,576	25.20%	\$ 14,685	27.93%	\$ 891	6.07%
STIP	1,770	2.86%	1,519	2.89%	251	16.52%
<i>Total Fixed Income</i>	<i>\$ 17,346</i>	<i>28.06%</i>	<i>\$ 16,204</i>	<i>30.82%</i>	<i>\$ 1,142</i>	<i>7.05%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 26,348	42.63%	\$ 23,744	45.15%	\$ 2,604	10.97%
Montana International Pool (MTIP)	12,162	19.68%	9,365	17.81%	2,797	29.87%
Montana Private Equity Pool (MPEP)	4,744	7.68%	3,047	5.79%	1,697	55.69%
	<i>\$ 43,254</i>	<i>69.99%</i>	<i>\$ 36,156</i>	<i>68.75%</i>	<i>\$ 7,098</i>	<i>19.63%</i>
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 1,206	1.95%	\$ 225	0.43%	\$ 981	436.00%
<i>Total Real Estate</i>	<i>\$ 1,206</i>	<i>1.95%</i>	<i>\$ 225</i>	<i>0.43%</i>	<i>\$ 981</i>	<i>436.00%</i>
Total	\$ 61,806	100.00%	\$ 52,585	100.00%	\$ 9,221	17.54%

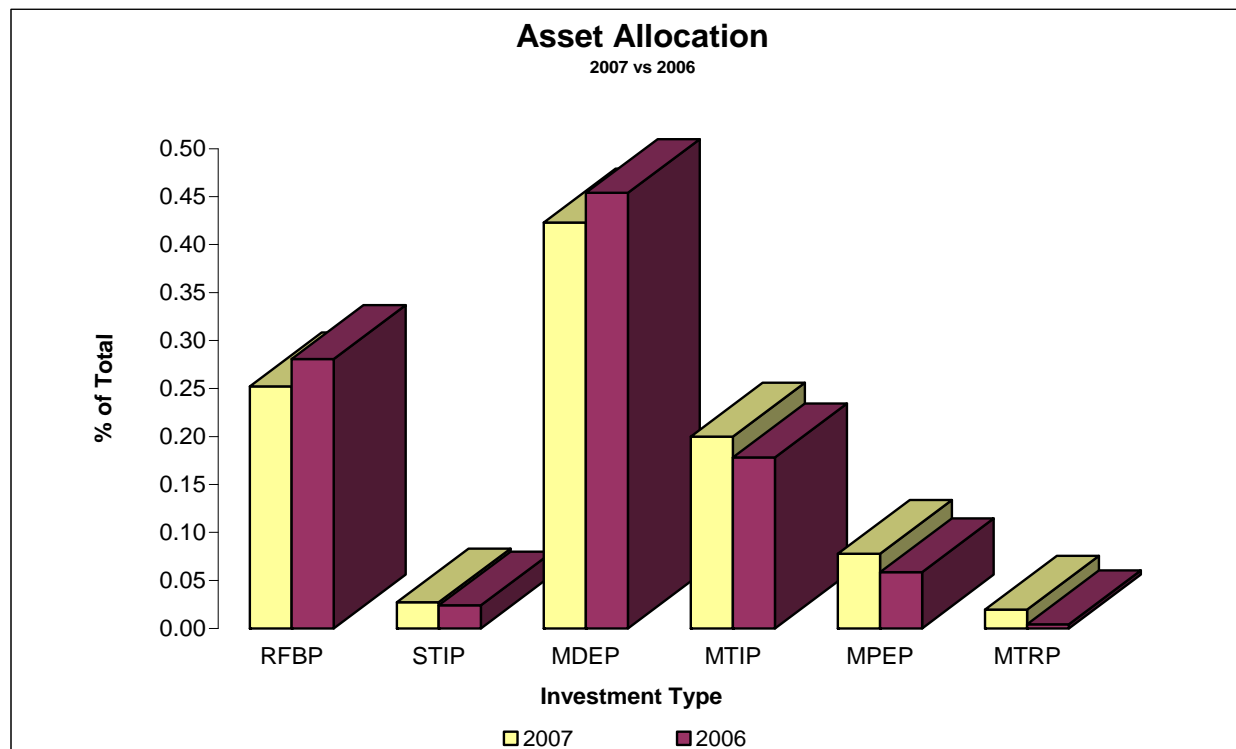


INVESTMENT SECTION

HPORS

Asset Mix (fair value)
as of June 30, 2007 and 2006
(in thousands)

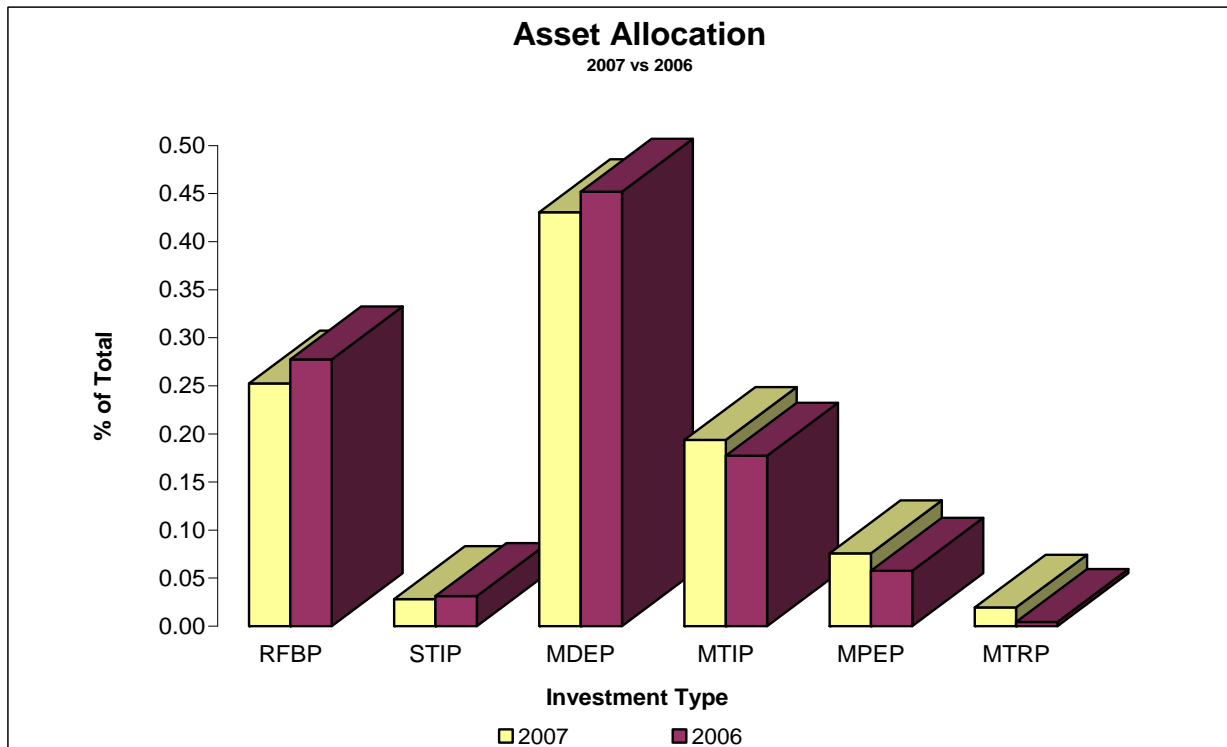
Investment Type	2007 Fair Value	% of Total	2006 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 25,897	25.24%	\$ 24,889	28.09%	\$ 1,008	4.05%
STIP	2,785	2.71%	2,134	2.41%	651	30.51%
<i>Total Fixed Income</i>	<i>\$ 28,682</i>	<i>27.95%</i>	<i>\$ 27,023</i>	<i>30.50%</i>	<i>\$ 1,659</i>	<i>6.14%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 43,439	42.32%	\$ 40,232	45.39%	\$ 3,207	7.97%
Montana International Pool (MTIP)	20,513	19.99%	15,795	17.83%	4,718	29.87%
Montana Private Equity Pool (MPEP)	7,979	7.79%	5,178	5.85%	2,801	54.09%
<i>Total Equities</i>	<i>\$ 71,931</i>	<i>70.10%</i>	<i>\$ 61,205</i>	<i>69.07%</i>	<i>\$10,726</i>	<i>17.52%</i>
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 2,005	1.95%	\$ 380	0.43%	\$ 1,625	427.63%
<i>Total Real Estate</i>	<i>\$ 2,005</i>	<i>1.95%</i>	<i>\$ 380</i>	<i>0.43%</i>	<i>\$ 1,625</i>	<i>427.63%</i>
Total	\$ 102,618	100.00%	\$ 88,608	100.00%	\$14,010	15.81%



SRS

Asset Mix (fair value) as of June 30, 2007 and 2006 (in thousands)

Investment Type	2007 Fair Value	% of Total	2006 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 49,551	25.25%	\$ 45,822	27.75%	\$ 3,729	8.14%
STIP	5,526	2.82%	5,182	3.14%	344	6.64%
<i>Total Fixed Income</i>	<i>\$ 55,077</i>	<i>28.07%</i>	<i>\$ 51,004</i>	<i>30.89%</i>	<i>\$ 4,073</i>	<i>7.99%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 84,481	43.06%	\$ 74,633	45.20%	\$ 9,848	13.20%
Montana International Pool (MTIP)	38,003	19.37%	29,263	17.72%	8,740	29.87%
Montana Private Equity Pool (MPEP)	14,859	7.57%	9,508	5.76%	5,351	56.28%
<i>Total Equities</i>	<i>\$ 137,343</i>	<i>70.00%</i>	<i>\$ 113,404</i>	<i>68.68%</i>	<i>\$23,939</i>	<i>21.11%</i>
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 3,796	1.93%	\$ 710	0.43%	\$ 3,086	434.65%
<i>Total Real Estate</i>	<i>\$ 3,796</i>	<i>1.93%</i>	<i>\$ 710</i>	<i>0.43%</i>	<i>\$ 3,086</i>	<i>434.65%</i>
Total	\$ 196,216	100.00%	\$ 165,118	100.00%	\$31,098	18.83%

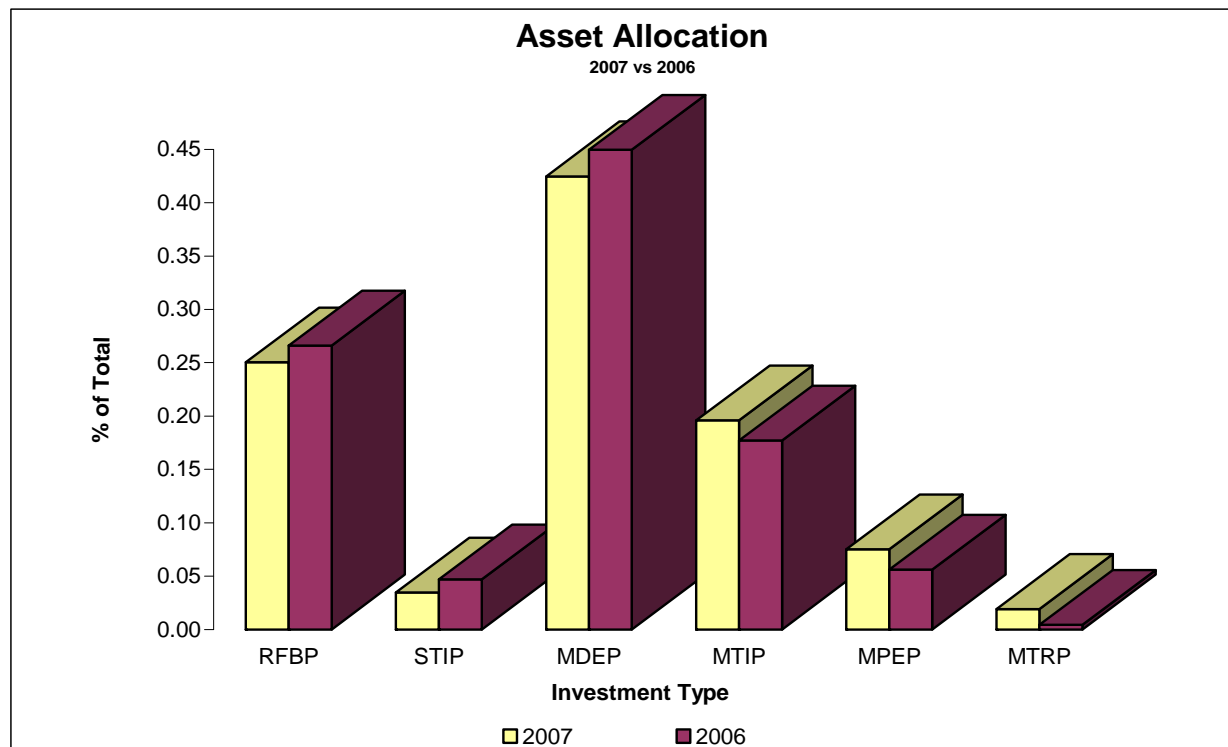


INVESTMENT SECTION

GWPORS

Asset Mix (fair value)
as of June 30, 2007 and 2006
(in thousands)

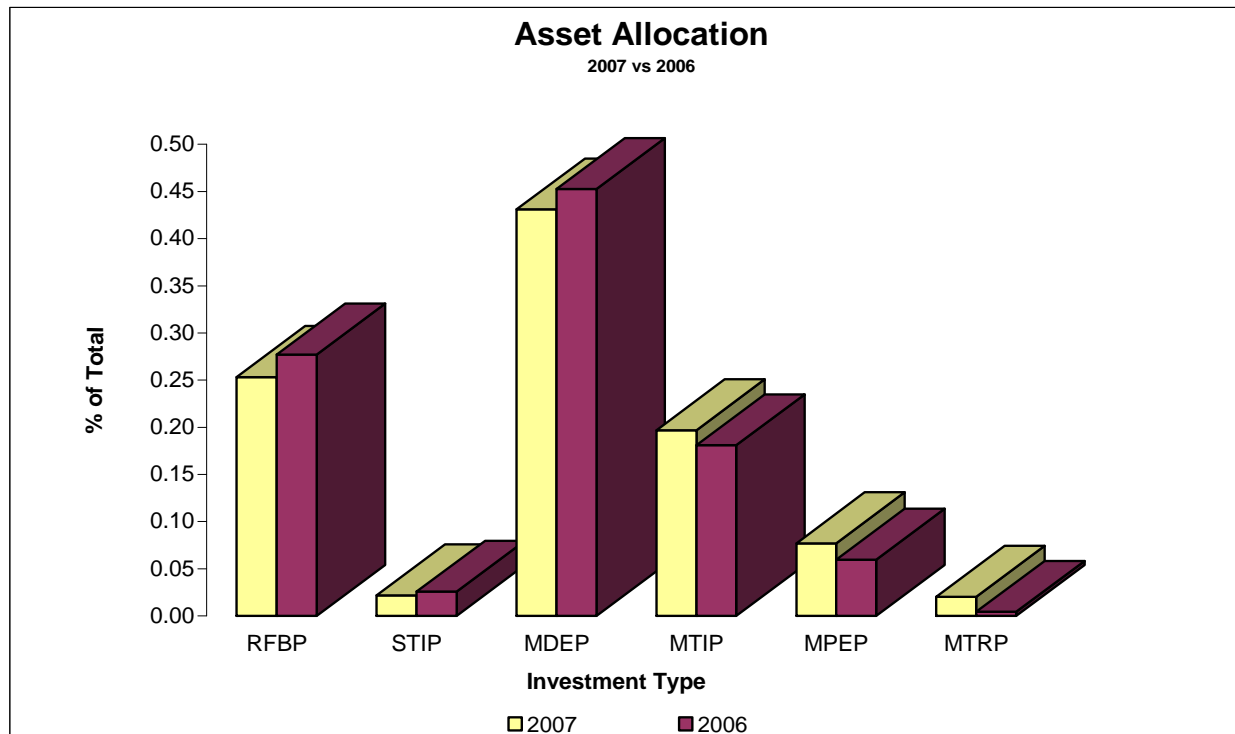
Investment Type	2007 Fair Value	% of Total	2006 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 18,331	25.04%	\$ 15,806	26.61%	\$ 2,525	15.97%
STIP	2,536	3.46%	2,782	4.68%	(246)	-8.84%
<i>Total Fixed Income</i>	<i>\$ 20,867</i>	<i>28.50%</i>	<i>\$ 18,588</i>	<i>31.29%</i>	<i>\$ 2,279</i>	<i>12.26%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 31,082	42.47%	\$ 26,705	44.96%	\$ 4,377	16.39%
Montana International Pool (MTIP)	14,344	19.60%	10,518	17.71%	3,826	36.38%
Montana Private Equity Pool (MPEP)	5,497	7.51%	3,330	5.61%	2,167	65.08%
<i>Total Equities</i>	<i>\$ 50,923</i>	<i>69.58%</i>	<i>\$ 40,553</i>	<i>68.28%</i>	<i>\$10,370</i>	<i>25.57%</i>
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 1,404	1.92%	\$ 255	0.43%	\$ 1,149	450.59%
<i>Total Real Estate</i>	<i>\$ 1,404</i>	<i>1.92%</i>	<i>\$ 255</i>	<i>0.43%</i>	<i>\$ 1,149</i>	<i>450.59%</i>
Total	\$ 73,194	100.00%	\$ 59,396	100.00%	\$13,798	23.23%



MPORS

Asset Mix (fair value) as of June 30, 2007 and 2006 (in thousands)

Investment Type	2007 Fair Value	% of Total	2006 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 51,176	25.32%	\$ 46,944	27.71%	\$ 4,232	9.01%
STIP	4,404	2.18%	4,338	2.56%	66	1.52%
<i>Total Fixed Income</i>	<u>\$ 55,580</u>	<u>27.50%</u>	<u>\$ 51,282</u>	<u>30.27%</u>	<u>\$ 4,298</u>	<u>8.38%</u>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 87,099	43.10%	\$ 76,683	45.26%	\$ 10,416	13.58%
Montana International Pool (MTIP)	39,784	19.68%	30,633	18.08%	9,151	29.87%
Montana Private Equity Pool (MPEP)	15,547	7.69%	10,089	5.96%	5,458	54.10%
<i>Total Equities</i>	<u>\$ 142,430</u>	<u>70.47%</u>	<u>\$ 117,405</u>	<u>69.30%</u>	<u>\$ 25,025</u>	<u>21.32%</u>
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 4,102	2.03%	\$ 730	0.43%	\$ 3,372	461.92%
<i>Total Real Estate</i>	<u>\$ 4,102</u>	<u>2.03%</u>	<u>\$ 730</u>	<u>0.43%</u>	<u>\$ 3,372</u>	<u>461.92%</u>
Total	\$ 202,112	100.00%	\$ 169,417	100.00%	\$ 32,695	19.30%

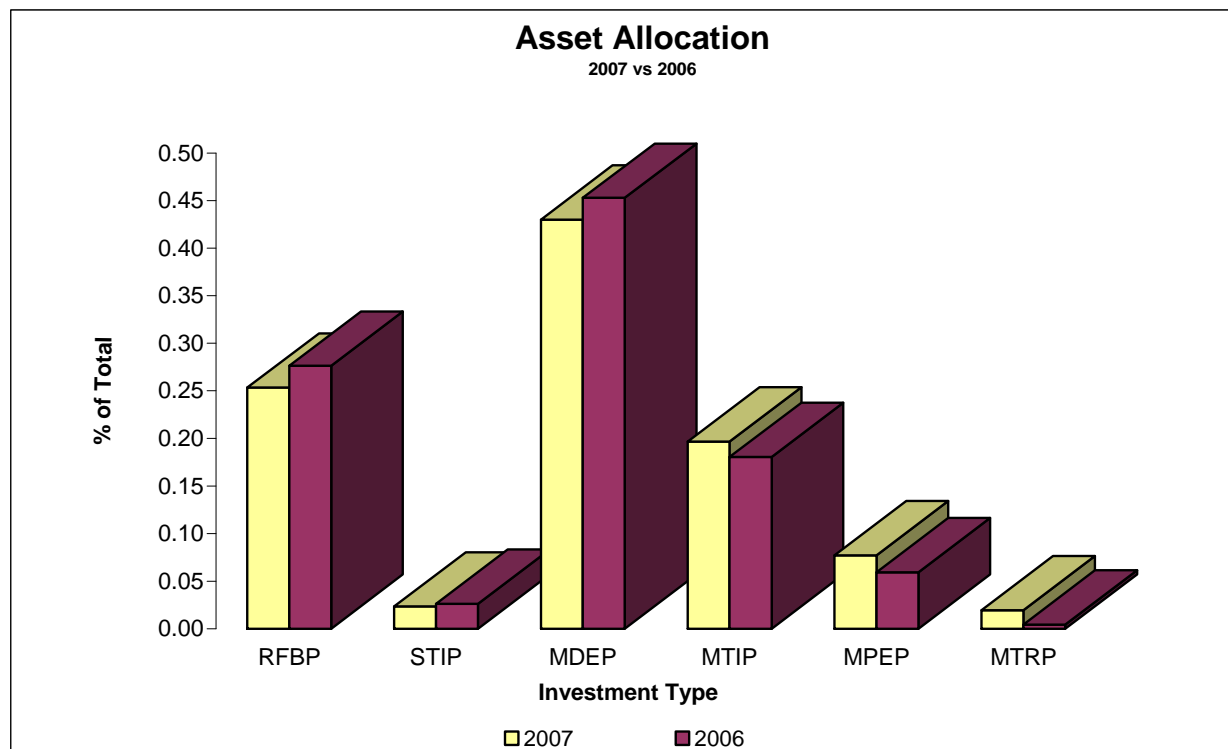


INVESTMENT SECTION

FURS

Asset Mix (fair value)
as of June 30, 2007 and 2006
(in thousands)

Investment Type	2007 Fair Value	% of Total	2006 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 48,813	25.35%	\$ 44,650	27.64%	\$ 4,163	9.32%
STIP	4,488	2.33%	4,241	2.63%	247	5.82%
<i>Total Fixed Income</i>	<i>\$ 53,301</i>	<i>27.68%</i>	<i>\$ 48,891</i>	<i>30.27%</i>	<i>\$ 4,410</i>	<i>9.02%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 82,766	43.00%	\$ 73,144	45.30%	\$ 9,622	13.15%
Montana International Pool (MTIP)	37,848	19.67%	29,143	18.06%	8,705	29.87%
Montana Private Equity Pool (MPEP)	14,850	7.71%	9,587	5.94%	5,263	54.90%
<i>Total Equities</i>	<i>\$ 135,464</i>	<i>70.38%</i>	<i>\$ 111,874</i>	<i>69.30%</i>	<i>\$ 23,590</i>	<i>21.09%</i>
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 3,744	1.94%	\$ 700	0.43%	\$ 3,044	100.00%
<i>Total Real Estate</i>	<i>\$ 3,744</i>	<i>1.94%</i>	<i>\$ 700</i>	<i>0.43%</i>	<i>\$ 3,044</i>	<i>434.86%</i>
Total	\$ 192,509	100.00%	\$ 161,465	100.00%	\$ 31,044	19.23%



INVESTMENT SECTION

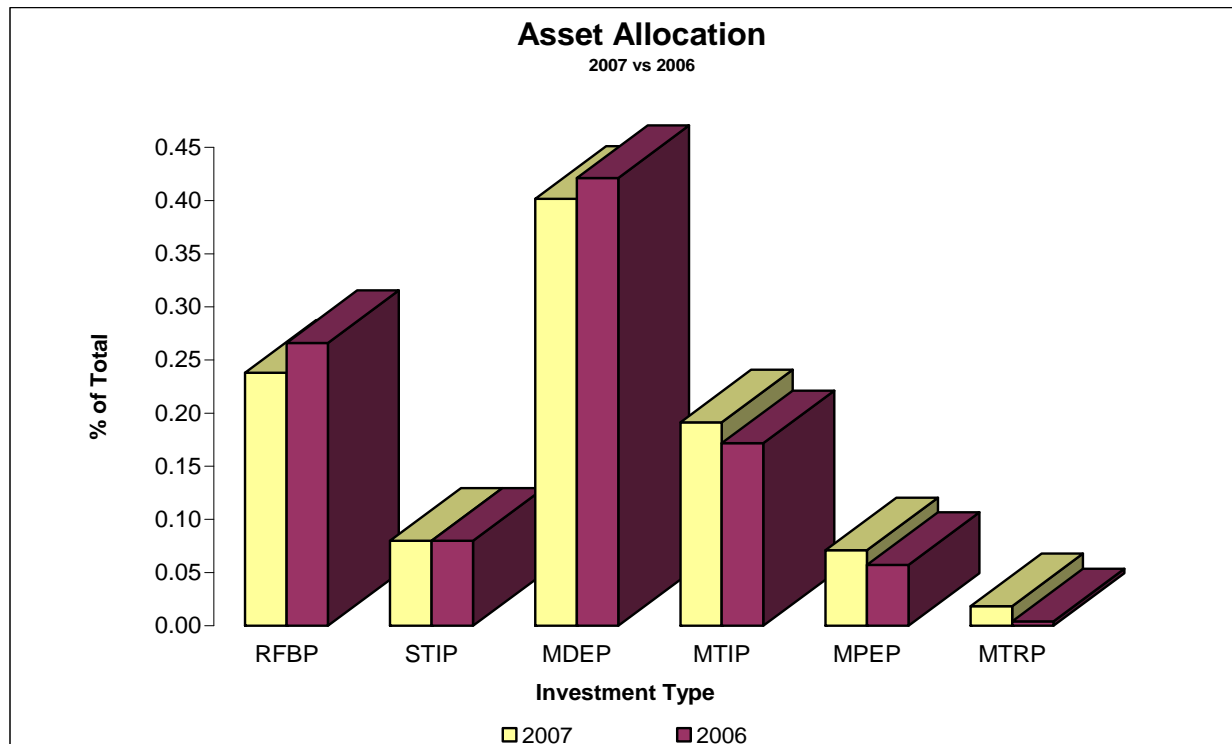
VFCA

Asset Mix (fair value)

as of June 30, 2007 and 2006

(in thousands)

Investment Type	2007 Fair Value	% of Total	2006 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 6,542	23.80%	\$ 6,233	26.60%	\$ 309	4.96%
STIP	2,194	7.98%	1,870	7.98%	324	17.33%
Total Fixed Income	\$ 8,736	31.78%	\$ 8,103	34.58%	\$ 633	7.81%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 11,043	40.17%	\$ 9,872	42.13%	\$ 1,171	11.86%
Montana International Pool (MTIP)	5,258	19.12%	4,023	17.16%	1,235	30.70%
Montana Private Equity Pool (MPEP)	1,951	7.10%	1,341	5.72%	610	45.49%
Total Equities	\$ 18,252	66.39%	\$ 15,236	65.01%	\$ 3,016	19.80%
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 504	1.83%	\$ 95	0.41%	\$ 409	430.53%
Total Real Estate	\$ 504	1.83%	\$ 95	0.41%	\$ 409	430.53%
Total	\$ 27,492	100.00%	\$ 23,434	100.00%	\$ 4,058	17.32%



INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2007

A complete list of the portfolio holdings can be obtained by contacting the Montana Board of Investments.
The information below is PERB's presentation of the largest holdings.

Shares/Par	Mortgages Portfolio	Fair Value
226,767,173	Montana Permanent Coal Trust Loans	\$ 226,767,173
68,837,530	Montana Residential Mortgages	68,260,568

PERS' 37,172,266 shares represent 12.6% of the total Mortgages portfolio at market.

Shares/Par	MDEP Portfolio	Fair Value
614,400	Exxon Mobil Corp	\$ 51,535,872
1,331,800	General Electric Co	50,981,304
210,000	SPDR Trust	31,590,300
592,800	Citigroup Inc	30,404,712
1,012,100	Microsoft Corp	29,826,587
418,900	Johnson+Johnson	25,812,618
358,500	American Intl Group Inc	25,105,755
395,700	Procter and Gamble Co	24,212,883
549,289	AT+T Inc	22,795,494
426,100	Bank America Corp	20,832,029

PERS' 10,592,073 shares represent 50.06% of the total MDEP portfolio at market.

JRS' 160,784 shares represent 0.76% of the total MDEP portfolio at market.

HPORS' 265,085 shares represent 1.25% of the total MDEP portfolio at market.

SRS' 515,539 shares represent 2.44% of the total MDEP portfolio at market.

GWPORS' 189,677 shares represent 0.90% of the total MDEP portfolio at market.

MPORS' 531,511 shares represent 2.51% of the total MDEP portfolio at market.

FURS' 505,072 shares represent 2.39% of the total MDEP portfolio at market.

VFCA's 67,388 shares represent 0.32% of the total MDEP portfolio at market.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value)

as of June 30, 2007

Shares/Par	RFBP Portfolio		Fair Value
150,000,000	Federal Home Loan Mortgage Corp	\$	35,263,500
35,000,000	Freddie Mac		34,097,035
30,000,000	DOT Headquarters II Lease Mtg		30,093,600
29,361,364	FNMA Pool 256600		28,597,354
28,906,182	Federal Home Loan Pool G11812		27,957,092
25,000,000	Aria CDO		27,087,500
26,781,498	Federal Home Loan Pool G02070		25,890,494
25,000,000	Cypresstree Synthetic CDO		25,722,500
25,000,000	Bishopsgate CDO LTD		24,542,500
24,568,943	FNMA Pool 745250		23,760,758

PERS' 983,177,607 shares represent 50.28% of the total RFBP portfolio at market.

JRS' 15,503,122 shares represent 0.79% of the total RFBP portfolio at market.

HPORS' 25,775,679 shares represent 1.32% of the total RFBP portfolio market.

SRS' 49,317,820 shares represent 2.52% of the total RFBP portfolio at market.

GWPORS' 18,245,346 shares represent 0.93% of the total RFBP portfolio at market.

MPORS' 50,934,981 shares represent 2.60% of the total RFBP portfolio at market.

FURS' 48,580,562 shares represent 2.48% of the total RFBP portfolio market.

VFCA's 6,511,424 shares represent 0.33% of the total RFBP portfolio market.

Shares/Par	MTIP Portfolio - Currency		Fair Value
23,715,506	US Dollars (Commingled Accounts)	\$	529,923,232
11,022,588	Japanese Yen		189,819,142
12,363,165	UK British Pound		141,522,336
1,642,937	French Franc		100,730,411
970,659	German Mark		84,083,860
745,067	Swiss Franc		61,902,461
5,483,700	Australian Dollar		50,915,926
1,323,197	Netherlands Antilles Guilder		45,873,044
1,665,541	US Dollars (ADR)		42,010,883
2,946,823	Italian Lira		37,031,582

PERS' 4,152,606 shares represent 50.76% of the total MTIP portfolio at market.

JRS' 61,715 shares represent 0.75% of the total MTIP portfolio at market.

HPORS' 104,087 shares represent 1.27% of the total MTIP portfolio at market.

SRS' 192,841 shares represent 2.36% of the total MTIP portfolio at market.

GWPORS' 72,786 shares represent 0.89% of the total MTIP portfolio at market.

MPORS' 201,874 shares represent 2.47% of the total MTIP portfolio at market.

FURS' 192,054 shares represent 2.35% of the total MTIP portfolio at market.

VFCA's 26,682 shares represent 0.33% of the total MTIP portfolio at market.

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2007

Shares/Par	MPEP Portfolio		Fair Value
66,136,880	Brinson Trust	\$	78,872,396
45,734,366	Adams Street Partnership Fund		52,525,279
234,163	State Street SPIFF		47,382,427
35,513,712	Adams Street Fund V		35,307,981
8,220,001	Lexington Capital Partners VLP		29,557,455
27,873,868	KKR 1996		27,035,784
13,396,667	KKR European Fund		26,373,215
19,939,133	Carlyle Partners IV, LP		23,543,849
14,483,099	Madison Dearborn Capital Partners IV		23,029,039
10,830,856	WCAS IX		19,629,453

PERS' 1,891,382 shares represent 50.66% of the total MPEP portfolio at market.

JRS' 28,480 shares represent 0.76% of the total MPEP portfolio at market.

HPORS' 47,902 shares represent 1.28% of the total MPEP portfolio at market.

SRS' 89,200 shares represent 2.39% of the total MPEP portfolio at market.

GWPORS' 33,001 shares represent 0.88% of the total MPEP portfolio at market.

MPORS' 93,335 shares represent 2.50% of the total MPEP portfolio at market.

FURS' 89,147 shares represent 2.39% of the total MPEP portfolio at market.

VFCA's 11,712 shares represent 0.31% of the total MPEP portfolio at market.

Shares/Par	MTRP Portfolio		Fair Value
30,000	JP Morgan Chase Bank Strategic Properties	\$	52,322,354
22,029	Clarion Lion Properties Fund		30,918,179
8,000,000	ABR Chesapeake Fund III		8,000,000
6,750,000	Hudson Realty Capital Fund IV		6,715,305
5,000,000	TA Associates Realty Fund VIII		5,000,000
4,846,159	Strategic Partners Value Enhancement Fund		4,634,891
1,210	Apollo Real Estate Finance Corp		1,102,749

PERS' 779,877 shares represent 50.04% of the total MPEP portfolio at market.

JRS' 11,834 shares represent 0.76% of the total MPEP portfolio at market.

HPORS' 19,674 shares represent 1.26% of the total MPEP portfolio at market.

SRS' 37,257 shares represent 2.39% of the total MPEP portfolio at market.

GWPORS' 13,777 shares represent 0.88% of the total MPEP portfolio at market.

MPORS' 40,265 shares represent 2.58% of the total MPEP portfolio at market.

FURS' 36,751 shares represent 2.36% of the total MPEP portfolio at market.

VFCA's 4,945 shares represent 0.32% of the total MPEP portfolio at market.

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INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Investment Summary

as of June 30, 2007

(in thousands)

Type of Investment	PERS-DBRP		JRS		HPORS	
	% of Total		% of Total		% of Total	
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
<i>Fixed Income</i>						
Retirement Funds Bond Pool	\$ 987,821	24.14%	\$ 15,576	25.20%	\$ 25,897	25.24%
<i>Equities</i>						
Montana Domestic Equity Pool	1,735,718	42.41%	26,348	42.63%	43,439	42.32%
Montana International Pool	818,362	20.00%	12,162	19.68%	20,513	19.99%
Montana Private Equity Pool	315,059	7.70%	4,744	7.68%	7,979	7.79%
<i>Alternative Investments</i>						
Real Estate Investments	8,816	0.22%	N/A		N/A	
Montana Real Estate Pool	79,459	1.94%	1,206	1.95%	2,005	1.95%
Mortgages	36,861	0.90%	N/A		N/A	
<i>Short Term Investments</i>						
Short Term Investment Pool	109,910	2.69%	1,770	2.86%	2,785	2.71%
Total	\$ 4,092,006	100.00%	\$ 61,806	100.00%	\$ 102,618	100.00%

INVESTMENT SECTION

SRS		GWPORS		MPORS		FURS		VFCA	
Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
\$ 49,551	25.25%	\$ 18,331	25.04%	\$ 51,176	25.32%	\$ 48,813	25.35%	\$ 6,542	23.80%
84,481	43.06%	31,082	42.47%	87,099	43.10%	82,766	43.00%	11,043	40.17%
38,003	19.37%	14,344	19.60%	39,784	19.68%	37,848	19.67%	5,258	19.12%
14,859	7.57%	5,497	7.51%	15,547	7.69%	14,850	7.71%	1,951	7.10%
N/A		N/A		N/A		N/A		N/A	
3,796	1.93%	1,404	1.92%	4,102	2.03%	3,744	1.94%	504	1.83%
N/A		N/A		N/A		N/A		N/A	
5,526	2.82%	2,536	3.46%	4,404	2.18%	4,488	2.33%	2,194	7.98%
\$ 196,216	100.00%	\$ 73,194	100.00%	\$ 202,112	100.00%	\$ 192,509	100.00%	\$ 27,492	100.00%

INVESTMENT SECTION

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